

Message Text

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PAGE 01 MANAMA 00248 162024Z

70/67

ACTION NEA-12

INFO OCT-01 ISO-00 AEC-11 AID-20 CEA-02 CIAE-00 CIEP-02

COME-00 DODE-00 EB-11 FEA-02 FPC-01 H-03 INR-10

INT-08 L-03 NSAE-00 NSC-07 OMB-01 PM-07 RSC-01 SAM-01

SCI-06 SP-03 SS-20 STR-08 TRSE-00 PA-04 PRS-01 USIA-15

ACDA-19 DRC-01 /180 W
----- 085418

R 131258Z APR 74

FM AMEMBASSY MANAMA BAHRAIN

TO SECSTATE WASHDC 1164

INFO AMEMBASSY ABU DHABI UAE

AMEMBASSY BEIRUT LEBANON

AMEMBASSY BONN GERMANY

AMEMBASSY JIDDA SUADI ARABIA

AMEMBASSY KUWAIT KUWAIT

AMEMBASSY LONDON ENGLAND

AMEMBASSY MUSCAT

AMEMBASSY TEHRAN IRAN

C O N F I D E N T I A L MANAMA 0248

C O R R E C T E C C O P Y PARA 6 LINE SEVEN (ESPECIALLY
NOTABLE VICE ESPECIALLY NOT NOTABLE)

E.O. 11652 : GDS

TAGS : ENRG, QA

SUBJECT : QATAR OIL AUCTION

REF : KUWAIT 1308

1. RESULTS OF QATAR'S OIL AUCTION ABOUT SETTLED, AND IT
NOW POSSIBLE STATE OUTCOME WITH FAIR DEGREE CERTAINTY. SINCE
REFTEL, AMIR, SHEIKH KHALIFA, HAS APPARENTLY BEGUN TO LEAN
MORE FORWARD DEALING WITH ESTABLISHED OPERATING COMPANIES BUT
HAS AGEED SELL LIMITED QUANTITIES TO OUTSIDE COMPANIES AT
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PAGE 02 MANAMA 00248 162024Z

HIGHER PRICES AND WITH CERTAIN RESTRICTIONS AND GUARANTEES.

2. APPEARS FOLLOWING COMPANIES HAVE OBTAINED STATED QUANTITIES OF CRUDE:

AMERADA HESS (US)	75,000 BPD
CHARTER OIL (US)	35,000 BPD
UNION RHEINISCHER	
(PHONETIC) (GER)	13,000 BPD

3. ABOVE QUANTITIES HAVE ALL SOLD FOR ABOUT 94 PERCENT POSTED PRICE, OR \$11.29 FOR OFFSHORE CRUDE AND \$11.67 FOR ONSHORE CRUDE. UNABLE DETERMINE BREAKDOWN BETWEEN OFFSHORE AND ONSHORE, ALTHOUGH PRESUME BREAKDOWN APPROXIMATELY 50-50. ALL SALES ARE FOR THREE YEARS, BASED ON PERCENTAGE POSTED PRICE RATHER THAN FIXED DOLLAR FIGURE. CONTRACTS ALL CONTAIN CLAUSES REQUIRING NON-US REFINERY CAPACITY IN EVENT EMBARGO RE-IMPOSED AND STIPULATING CONTRACT WILL BE ABROGATED IN EVENT COMPANY PLACED ON BOYCOTT LIST. CONTRACTS ALSO STIPULATE, IN EFFECT, PAYMENT UPON DELIVERY AND CONTAIN STIFF UPLIFT REQUIREMENTS.

4. REMAINDER PARTICIPATION CRUDE (APPROX 200,000 BPD) BEING SOLD BACK TO PRODUCING COMPANIES AT ABOUT \$10.75 (PRECISE FIGURE NOT YET AVAILABLE). BUY-BACK AGREEMENT APPARENTLY IS NOT RPT NOT TIME LIMITED.

5. SINCE REFTTEL, CAYMAN OF US HAS APPARENTLY LOST OUT IN ITS BID FOR 100,000 BPD. CAYMAN, IN WORDS OF HIGH QATAR OFFICIAL, "CAME ON TOO STRONG" AND FAILED CONVINCE QATAR'S OF BOTH ITS SERIOUSNESS AND RESPECTABILITY.

6. COMMENT: ALTHOUGH QUANTITIES RELATIVELY SMALL, IT APPARENT FROM QATAR'S AUCTION (AND FROM CONCURRENT ONE IN UAE) THAT IT TOO EARLY GENERALIZE THAT MIDDLE EAST CRUDE PRICES SOFTENING SIGNIFICANTLY. WHILE THESE PRICES DO NOT APPROACH THE \$17-\$22 ABERRATIONS BRIEFLY SEEN EARLIER THIS YEAR, THEY INDICATE THAT PURCHASERS STILL WILLING PAY PREMIUM FOR HIGH QUALITY CRUDE. ESPECIALLY NOTABLE IS EMPHASIS BEING PLACED ON SULPHUR CONTENT. COMPANIES VITALLY INTERESTED IN QATAR AND UAE ACTIONS HAVE ALL SAID THEY WEREN'T ESPECIALLY INTERESTED IN EARLIER, ABORTIVE KUWAITI SALE BECAUSE OF RELATIVELY HIGHER

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PAGE 03 MANAMA 00248 162024Z

SULPHUR CONTENT KUWAITI CRUDE.
KILLGORE

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